

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

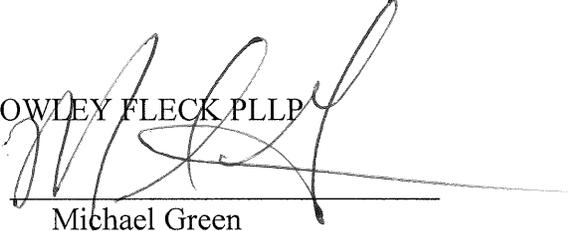
IN THE MATTER OF the Investigation of ) REGULATORY DIVISION  
the Montana Public Service Commission )  
into whether Mountain Water Company's ) DOCKET NO. D2016.2.15  
rates are Just and Reasonable )

**MOUNTAIN WATER CO.'S SUPPLEMENTAL RESPONSE TO  
DATA REQUEST PSC-009**

Mountain Water Co., by and through its undersigned counsel, hereby submits to the Montana Public Service Commission this supplemental response to data request PSC-009 from the Montana Public Service Commission.

Dated this 17th day of March, 2016.

CROWLEY FLECK PLLP

By: 

Michael Green  
CROWLEY FLECK PLLP  
900 N. Last Chance Gulch, Suite 200  
Helena, MT 59601  
Attorneys for Mountain Water Co

## PSC-009

Regarding: Response to PSC-001b

Witness: John Kappes

- a. Please specifically identify the total amount of debt, and the associated cost of debt, i.e. the interest rate, used to finance the acquisition.
- b. Please see the attached press release (Dkt. D2014.12.99, Exhibit JW-1). Please reconcile the inconsistencies between the April 30, 2015 press release and your response to PSC-001b. Please include in your response an explanation as to why the press release asserts that the acquisition was financed with a \$160 million private placement of senior unsecured 30 year notes bearing a coupon for 4.13% and why your response to PSC-001b asserts that the acquisition was financed with proceeds from a term credit facility for \$235 million with an expiration date of July 4, 2017.

### Responses:

- a. As stated in response to PSC-001, Liberty Utilities paid \$250 million for the membership units of Western Water Holdings and assumed outstanding debt of Park Water (on a consolidated basis). The acquisition was financed with proceeds from a term credit facility issued on January 4, 2016 for \$235 million and cash on hand at Liberty of \$15 million. This term credit facility has an expiration date of July 4, 2017. Prior to the expiration of this term credit facility, Liberty intends to refinance that term credit facility with senior unsecured notes and proceeds received through an equity issuance in order to maintain a target capital structure for Liberty Utilities Co. of 55% equity and 45% debt. The amount of debt and the associated cost of debt (*i.e.*, the interest rate) will be determined in the debt market at that time. Liberty Utilities anticipates that the terms would be at a fixed rate per annum that is equal to the average of the 10-year U.S. Treasury rate as published on Bloomberg Financial Markets for the prior 30-60 days plus a percent spread equal to the indicative 10 year spread on Liberty Utilities Co.'s most recent private placement financing.

**Supplemental Response:** Simultaneously with this supplemental response, Mountain Water filed a Motion for Protective Order, seeking protection of a Term Loan Agreement dated January 4, 2016. Upon entry of a protective order, Mountain Water Company will file and serve copies of the Term Loan Agreement in accordance with the

protective order and the Commission's rules governing confidential information.

As noted in the initial response to PSC-009(a), the Term Loan Agreement was short term financing for the acquisition closing on January 4, 2016 and Liberty Utilities Co. intended to refinance that term credit facility as appropriate. The Term Loan Agreement has been replaced with equity at Liberty Utilities Co. in accordance with its continued efforts to maintain a 55% equity to 45% debt ratio as described in the initial response to PSC-009. On March 9, 2016, Liberty Utilities Co. retired the Term Loan Agreement on its books through an infusion of equity. As such, the Term Loan Agreement is no longer on the books of Liberty Utilities Co.

CERTIFICATE OF SERVICE

I hereby certify that on March 17, 2016, the foregoing Supplemental Response to Data Request PSC 009 were served via electronic and U.S. mail on:

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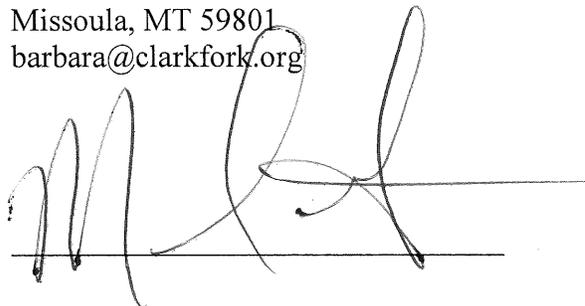
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A handwritten signature in black ink, appearing to read 'Barbara Chillcott', is written over a horizontal line. The signature is stylized and cursive.